

WORK OPPORTUNITY AND WELFARE-TO-WORK TAX CREDITS

Fact Sheet

Introduction — The Ticket to Work and Work Incentives Improvement Act of 1999 (Public Law 106-170) extends the Work Opportunity Tax Credit (WOTC) to December 31, 2001. The WOTC, which includes the Welfare-to-Work Tax Credit, has two purposes:

- To promote the hiring of individuals who qualify as a member of a target group.
- To provide a federal tax credit to employers who hire these individuals.

Target Groups that Qualify for the WOTC — Individuals hired from the following nine target groups may qualify an employer for the WOTC.

- Qualified recipients of Aid to Families with Dependent Children (AFDC).
- Qualified veterans receiving Food Stamps.
- Qualified economically disadvantaged ex-felons hired no later than one year after conviction or release from prison.
- High-risk youth ages 18 through 24 who reside in an Empowerment Zone or Enterprise Community.
- Vocational rehabilitation referrals.
- Qualified summer youth ages 16 through 17 who reside in an Empowerment Zone or Enterprise Community.
- Qualified Food Stamp recipients ages 18 through 24.
- Qualified recipients of Supplemental Security Income (SSI).
- Long-term recipients of AFDC.

Federal Tax Credit Amounts and Retention Periods for Target Groups A through H — The employee must be retained 400 hours for a 40 percent tax credit on qualified first year wages up to \$6,000. For the employee that is retained at least 120 hours but less than 400 hours a 25 percent tax credit is available on qualified first year wages up to \$6,000. For qualified summer youth, target group F, the tax credit is based on qualified first year wages up to \$3,000.

Federal Tax Credit Amounts and Retention Period for Target Group I — Long-term recipients of AFDC, target group I, provides for a tax credit of 35 percent on qualified first year wages up to \$10,000 and 50 percent on the second year of qualified wages up to \$10,000. The employee must be retained a minimum of 180 days or 400 hours. This tax credit is available by hiring long-term recipients of AFDC on or after January 1, 1998.

Employers may claim the Work Opportunity Tax Credit or the Welfare-to-Work Tax Credit for a total of two years. Any unused portion may be carried back one year and/or forward on future tax returns for 20 years or until all the credit is used, whichever comes first.

How the WOTC Program Works For Employers — Employers may:

- Pre-screen their own applicants to determine if they are members of one of the target groups.
- Place a job listing with EDD requesting that only WOTC eligible job seekers be referred for the job opening.

To determine if an applicant is a member of one or more of the nine target groups, complete and sign the Individual Characteristics Form, ETA 9061. In addition, you must complete and sign the Pre-Screening Notice and Certification Request for the Work Opportunity and Welfare-to-Work Credit, Form 8850. The Form 8850 with the ETA 9061 attached will serve as a request for WOTC Certification and must be submitted to the EDD no later than the 21st day after the applicant starts work. Mail forms to:

WOTC Center, P.O. Box 1408, Roseville, CA 95661.

If an employer wishes to authorize an intermediary, such as an accountancy firm or a management consultant, to act on their behalf in the WOTC Certification process, they must provide the EDD with a notarized Power of Attorney. The Internal Revenue Service Form 2848 or the EDD form DE 48 may be used for this purpose.

How the WOTC Program Works For the Job Seeker — A Job seeker may:

- Let prospective employers know he/she is WOTC eligible at the time of the interview.
- Go to the nearest EDD Job Service office to enroll for services.

Forms and information are available by contacting the local EDD Job Service office or by accessing the WOTC Internet website at: <http://www.edd.cahwnet.gov/wotcind.htm>. For more information, contact the WOTC Center at (916) 774-4374.

EDD is an equal opportunity employer/program. Special requests for alternate formats need to be made by calling the phone number of your local EDD office listed in the phone directory under "State of California, Employment Development Department".